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Chairman Rogers, Congressman Meek, and Members of the Subcommittee, I am Greg Pellegrino, the Global Managing Director of the Public Sector practice supporting the member firms of Deloitte Touche Tohmatsu. I am also a principal within Deloitte Consulting LLP. In that capacity, I am directly responsible for our work across the Department of Homeland Security. And I serve as Chairman of the Board of Directors for the Homeland Security and Defense Business Council in Washington, D.C., a non-profit association of the leading companies focused on the homeland security market.

Deloitte Touche Tohmatsu is one of the world's largest professional services firms, with more than 120,000 employees in nearly 150 countries. In the United States, we have more than 2,500 partners and 29,000 employees working from 90 U.S. cities, providing audit, tax, financial advisory and consulting services.

Serving the United States government is one of Deloitte's most significant strategic initiatives. We are proud to be working alongside leaders from civilian and defense agencies supporting their strategic initiatives through our expertise in human capital, financial management, technology integration, auditability, and program management.

I've had the unique opportunity over the last 20 years to work with leading public and private sector organizations helping them navigate their way through management and technology challenges. These efforts have included the adoption of emerging technologies for programs as diverse as ship maintenance with the U.S. Navy, putting computers into school classrooms throughout Florida, and helping to speed up the matching process for vital organs throughout the U.S. I also helped to create a national model for highway safety information and led our efforts to support Governor John Engler's revolutionary e-Michigan program to reform the way government services are delivered using the Internet. Those experiences led to my direct involvement in helping to define the strategies and tools to support information sharing for the newly formed Transportation Security Administration (TSA) following 9/11 and I have led Deloitte's teams supporting the Department of Homeland Security since its creation.

I think I can be most helpful to the Committee today by focusing on what I have gleaned from my own experiences with large-scale programs, much of which has been in leading truly transformational initiatives, driven by cutting edge technologies. I will discuss what I believe are best practices that will help to ensure the success of America's Shield Initiative (ASI) in protecting our borders.

New World, New Approach

It is important to underscore the urgency of efforts like ASI. We are in an era in which more and more of what government is involved in is clearly transformational in nature. In the post-9/11 world, government simply has no choice but to be as nimble as those who seek to cause harm and to be responsive to sudden events that disrupt our communities and the national economy.

The challenges of the new environment are daunting. Whether it is securing over 100,000 miles of land surrounding our borders, ensuring every container entering our ports is safe, or searching every piece of luggage boarding an aircraft, we are dependent on the rapid adoption of new technologies to accomplish a new mission without bringing the economy to a crawl by creating the very same disruptions that we are seeking to avoid.

However consider that a 2002 study by Gartner, one of the leading analyst firms, found that major corporate investments in technology are not used as intended – and 80 percent of the time, they are abandoned within six months. That statistic is simply unacceptable when in comes to our nation's security. So the key question is: How does government better ensure that it gets results from investments in major programs that are dependent on new technologies and breakneck speed?

In rising to this challenge, government's historic approach to project management is being put to the test. Its hierarchical approach is running head up against the pace, complexity, and diversity in today's fast-paced economy. Long reporting chains, narrow work restrictions, and compartmentalized operating units are no longer acceptable if we are to make advances in how government operates.

This is by no means a challenge specific to government alone. Neither the public- nor private sectors are immune to change. Many organizations are revamping the old organization chart of closed boxes sealed off into distinct columns. In its place, they are shaping a dynamic web in which participants connect and cooperate on an ongoing, networked basis.

The Department of Homeland Security continues to demonstrate its commitment to keep up with these forces for change. For example, organizations like Customs and Border Protection have created a dedicated program management office for ASI and are strengthening project management expertise through the same certification programs that industry depends on through the Project Management Institute. In fact, the department's own deputy secretary, Michael Jackson, has a proven track record of collaborating with the private sector to tackle tough management challenges. He led the effort to engage some of the brightest minds from industry to help the Department of Transportation respond to 9-11 and legislation that created the new TSA. The leadership and creativity to reach beyond the beltway to engage highly talented, senior executives from some of the world's leading private-sector organizations in helping the government achieve something that had never been conceived is an essential skill for this new environment.

Government's Unique Challenges

The notion that the government can solve its toughest management challenges by simply acting more like a corporation is unsound. Many transformational initiatives that have been introduced smoothly and economically in the private sector often fall prey to what might be called a "government gap:" the unique constraints that make it difficult for government institutions to achieve their goals at a level of cost and efficiency comparable to commercial entities.

All too often, government's unique nature undermines its ability to work with a service provider across a project's scope and life.

It enforces an arm's-length relationship when close collaboration is needed.

It drags out procurement time frames, often making technologies obsolete between the time an RFP is issued and a purchasing decision is made.

And detailed procedural requirements, prolonged budget processes, multiple decision-making layers, and detailed design directives stall it to the pace of a tortoise when today's world is demanding the speed of a rabbit.

Abilene Paradox

Whenever these forces conspire to bring a new idea or an innovative program to its knees, we – both industry and government – often ask ourselves how we got here. After all, I'm confident that 100% of these ambitious programs start out with the best intentions among all of the parties to achieve the desired results.

What are the underlying causes that often lead to program failure? To address that question, I'd like to describe a management example, called "The Abilene Paradox," which is often referenced by Deloitte's Human Capital practice as well as in leading business schools. It illustrates the issues that emerge with organizational decision-making. This story is about a group of Texans sitting in their backyard, trying to keep as cool as possible during a scorching West Texas summer. One of them suggests heading off to Abilene – taking an un-air-conditioned 1958 Buick fifty-three miles down the road for a nice dinner at the cafeteria. Four hours and 106 miles later, on one of the hottest days of the year, they ended up spending most of their time looking for shady places to get a break.

On the way back, people in the car got to talking. It turned out that no one really wanted to go to Abilene in the middle of a heat wave. But each one of them thought the others did.

So they all went along for the ride.

Too often wayward programs lose the focus of their original objectives while leadership in both the government and contractor teams navigate the hurdles of keeping the program alive. It is as if the incentives reward success in overcoming the barriers rather then the mission itself. We need to find better ways to harness the dedication of the government workforce with the speed and innovation of industry that it is depending on for this new mission.

Crucial elements of success: Clarity and Flexibility

So how can we avoid losing our way, and begin to consistently drive change and results? In my experience, when we have been able to drive transformational projects to the goals set out for them and within the cost allocated, we have been doing two things:

Solving the right business problem, and being held accountable for the right results.

And, providing the teams involved with the flexibility to change course when they felt they had identified a better approach, or when they found they were going down the wrong path.

Government can achieve a shared focus by clearly defining deadlines, objectives, and capabilities targeted to results. One of the classic examples was how NASA responded to the challenge of putting a man on the moon by rapidly growing industry's role through the Apollo mission. And another is the rapid response to 9-11 through the creation of organizations like TSA through close collaboration with industry and a focus on meeting deadlines.

Such accomplishments are obviously not unique. They can be identified in various corners of government. The question is, how to create a government-wide environment that will nurture and sustain this type of focused, flexible – and successful – approach?

Three Guiding Principles:
Partnership, Skills, A Culture of Change

In addressing that, I would like to put forward several ideas, under the rubric of three guiding principles:

1. Government needs to seek out new approaches to collaborate with the private sector, with greater predictability and cost-effectiveness. When working with the private sector, it is best to introduce a partnership approach early on -- and build on it. New restrictions on government contracting won't make our borders safer. Greater innovation will.

2. Government must continue to build the internal skills necessary to match the capabilities sought from the private sector – including the capacity to manage complex relationships. It is important to invest in developing program, project and procurement management capabilities within the civil service.

3. Government must foster a culture of challenging old assumptions and past decisions. The ability to adapt to new circumstances depends on the willingness to recognize when traditional approaches are flawed or obsolete. In our effort to redesign the systems for matching organs with recipients there was a point we abandoned the original solution – more than halfway through - and still met the project's requirements on time and within budget. It was the type of decision that demanded close collaboration and trust between the customer and the contractor. And I would point out that it was only because of the clarity of the goals that such a bold decision was feasible. Every major program worth doing faces such a critical moment when we all must make

a choice – to follow the plan, or achieve the mission. We need to be able to put the mission above the plan.

I'd like to discuss some specific ways we can pursue these three principles.

Transparency: Open the System Up – Don't Tie It Down
When problems occur, government's understandable tendency is to focus on how to regulate them away. But regulation won't fix the problems – transparency will. Transparency stimulates innovation; regulations often stifle it. The culture of challenging assumptions of the past depends on flexibility and decentralization – not a rigid adherence to checking off boxes.

Notch Some Early Wins
In government as everywhere, success breeds success. It is necessary to foster clear, visible successes to support continuing implementation, and more importantly, to provide a continuing focus on larger objectives. We believe in pursuing what we call "100 day wins" – targeting short-term results that are achievable, regular, frequent, and build to the ultimate goal – while maintaining a keen focus on how such results ultimately fit into the overall vision. Similarly, expectations must be managed throughout the process, so that the roadblocks one is bound to encounter do not become insurmountable, simply due a loss of confidence among stakeholders.

Look Beyond the Beltway

Experience and expertise is not restricted to any enclave. It is crucial to go "beyond the Beltway" as necessary to assemble the expertise that best fits the issues at hand. Rather than be restricted to an inner circle here in Washington, D.C., as one of the largest buyers of professional services in the world, the federal government is entitled to access the best professional talent that the professional services firms can provide.

Recruit a Champion

Big, innovative projects face big, unique challenges. That's why they need a champion – a government sponsor with commitment to keep it on course, motivational abilities to keep the team inspired, and political savvy to back it up when it's under fire.

Be Flexible – and Plan for Contingencies

Political environments are not known for being static. The public's priorities change, and plans need to be adjusted for changing circumstances. Given the importance of maintaining public support, flexibility is a crucial element of any program. Similarly, it's important to plan for appropriate contingencies. It's rarely the expected developments that cause problems.

Link Design and Implementation

For understandable reasons, government tends to insist on an arms-length relationship between public and private-sector entities in program and project management. Unfortunately, that leads

to splitting off two elements in a program that should be intrinsically linked – design and implementation.

Linking design and implementation by ensuring continuity – and accountability – of a team through the entire life of the effort is critical. For example, the City of London installed more than 600 cameras at 174 locations to charge travelers who drove into the city – a revolutionary program that was a achieved in just over two years. It was led by a strong program management office that took the "client's-side" in eliminating barriers, aligning policies, and managing over 130 stakeholder organizations to achieve results. The success of that groundbreaking program, by the way, also owed much to the previous two points, effective sponsorship and flexibility.

Emphasize the Result – Not The Process

Perhaps as a consequence of its unique mandate and nature, the focus within government too often tends to be on the process rather than the result. Missing the forest for the trees is an occupational hazard in both public and private sectors, but the impact in government agencies can be especially debilitating. As I said a few minutes ago, we've all been involved in journeys where we get to a point where we can either follow the plan, or achieve the mission. The plan is a means – the mission is the end.

Establish Clear Accountability

When responsibility for a project is parceled out in unconnected pieces, it is difficult to pin down who to blame if results far short. However, you really do need a single throat to choke when things go wrong. Large-scale programs may be complex, but the lines of responsibility must be clear. But it is important to keep in mind the need to go beyond traditional accountability. Rather than rely on process standardization, it is vital to introduce the principles that characterize the 21st century organization, including its dependence on partners to achieve its results.

Build a Public-Private Partnership

In the words of the director for administration and services at the Department of Defense's acquisition training institute: "Acquisition is no longer about managing supplies. It's about managing suppliers." Government can shape a new kind of supplier partnership to ensure greater accountability, by aligning incentives, sharing risks, and measuring performance.

The Homeland Security and Defense Business Council has offered DHS to help with the challenge of increasing the number of certified project managers by offering to help fund a new certification program through the Project Management Institute. This will create a new generation of public sector managers that are both disciplined and agile enough to work closely with industry to achieve a new level of performance through programs such as ASI.

Conclusion

Government and its partners share the same goal. We want to see projects completed on-time and on-target. We want to see programs that meet their objectives. But sometimes there are roadblocks.

How do we overcome them?

By focusing on building partnership, skills and a culture of change.

The public and private sectors need to be able to work from the same game plan – one that yields lower costs and intended results.

Government needs to make it a priority to develop the corps of modern managers skilled in the complex – and essential – task of building links and reaching out beyond the public sector to whomever can serve the interests of the taxpayer.

And public and private sector managers need to be able to speak out early if we think we're getting off track – or if there's a better track, a newer technology or a better solution. So we get to where we need to go – where taxpayers of this country want us to go – and in order to ensure that we get there together.

Thank you. I look forward to your questions.

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